

November 14, 2008

Board of Directors
Rainbow Services, Ltd.
453 West 7th Street
San Pedro, California 90731

Dear Board:

We have audited the financial statements of Rainbow Services, Ltd. (the "Organization") as of June 30, 2008 and for the year then ended, and have issued our report thereon dated November 14, 2008. In planning and performing our audit of the financial statements of the Organization, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

Cross-training

Observation #1

We noted there were no employees at the Organization that would be able to perform the duties of the Finance Director in the unlikely event she were no longer able to perform her duties.

Recommendation and Benefit

We recommend a policies and procedures manual be created explaining in detail certain key functions relating to the Finance Director's daily tasks, which would reduce the risk of serious disruption if the Finance Director were to stop working at the Organization.

Management Response

Open

Property

Observation #1

We recommend that a physical count of the Organization's fixed assets be taken on an annual basis.

Recommendation and Benefit

This procedure will provide the Organization with an accurate listing of fixed assets, which can be the foundation for a future system of safeguards for fixed assets.

Management Response

Open

Observation #2

We noted that certain fixed assets purchased during the year totaling \$600 were expensed.

Recommendation and Benefit

We recommend the Organization's capitalization policy be consistently applied to reduce the administrative burden of tracking low-dollar-value fixed assets.

Management Response

Open

In-Kind Donations

Observation #1

We noted that the Organization does not obtain additional verification or support for the fair value of donated goods except from the donor representation.

Recommendation and Benefit

We recommend the Organization establish a policy to obtain third-party support for the value of goods donated that are above a set threshold. This will provide more consistent and accurate valuing of in-kind donations.

Management Response

Open

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We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the management, and others within the organization.

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Very truly yours,

KMJ | Corbin & Company LLP